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The social construction of the service sector: institutional structures and labour market outcomes

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Abstract

I argue that the characterisation of the lower end of the service sector as innately poorly paid, casualised and unorganised confuses cause and effect. It describes the effects of an institutional vacuum that allows this sector to suffer severe wage competition, which results in low wages and poor working conditions. There is nothing innate in the lower end of the service sector that makes these jobs poorly paid except the lack of institutions, such as unions and the state, structuring this segment of the labour market. Pay and working conditions vary within the sector and between specific locations, and depend on institutions, or the lack of institutions, to structure the local labour market. I use the case of hotel employees and restaurant employees in Las Vegas to show that not only can high union densities affect wages and other measurable benefits but a strategically unionised labour market also can transform the structure of the labour market itself.

Keywords: Unions; Organising; Labour market intermediaries; Las vegas; HERE; Union density; Local labour markets

1. Introduction

It is almost a truism within geography today to say that institutions matter. As part of this institutionalist approach, economic geographers have carefully analysed the role of the state, the firm, and labour unions in their numerous guises. Despite this attention, our theories on labour organisations remain underdeveloped. Despite some groundbreaking scholarship on organised labour (Clark, 1989; Herod, 1998; Martin et al., 1996; Wills, 2001), only a few economic geographers who "specialise in labour" have paid much attention to the role of worker voice in the wider economy (see Savage, 1998; Tufts, 1998; Walsh, 2000; Wills, 2001). For example, in a recent collection of 70 classic articles on the service sector (Bryson and Daniels, 1998) there is almost a complete silence about the complex ways in which the service sector labour market is structured institutionally. [1] This partitioning of the field has weakened economic geography's analysis of labour and of the wider economy. Perhaps most importantly, it has led geographers to misconceptualise some of the major structural changes in the economy, such as the rise of the service sector, and ignore or misinterpret the political consequences of these changes.

The decline of manufacturing and the growth of the service sector continue to be two of the most fundamental changes in the economies of all industrialised countries in the last quarter century. The service sector now comprises roughly two-thirds of the economy of countries such as the United States, Japan, and most of Europe (OECD, 1999) and is comprised of both high-skilled, high-wage and low-skilled, low-wage segments. The low-wage segment of the service sector is usually characterised as an ill-paid, casualised sector of the economy whose growth has promoted severe social polarisation (Fainstein et al., 1992; Mollenkopf and Castells, 1991; Sassen, 1991).

In contrast, I argue that this characterisation of the lower end of the service sector as innately poorly paid, casualised and unorganised confuses cause and effect. It describes the effects of an institutional vacuum that allows this sector to suffer severe wage competition, which results in low wages and poor working conditions. There is nothing innate in the lower end of the service sector

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[1] See Green and Tilly (1987) for an early explicitly institutionalist take on the growth of the service sector.

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that makes these jobs poorly paid except the lack of institutions, such as unions and the state, structuring this segment of the labour market. Pay and working conditions are not a simple function of industry type—of course much of the lower end of the service sector *is* poorly paid, as are parts of the manufacturing sector. Instead, pay and working conditions vary within the sector and between specific locations, and depend on institutions, or the lack of institutions, to structure the local labour market. As such, this paper argues that the current broad characterisation of the lower end of the service sector as poorly paid, casualised and unorganised is partly a social construction—and that recognition of this is important for theory-building, public debate and social policy.

The basic argument of this paper is that whether the service sector produces good or bad jobs is not an inherent characteristic of the sector, but rather a consequence of how this portion of the labour market is institutionally structured in a specific place. The structure of the labour market depends on public policies involving fair labour practices and immigration and, critically, the organisation of workers. First, this paper will address the nature of the service sector and the misconceptions surrounding the low-wage service sector, emphasising the extent to which geographers have naturalised the poor pay and conditions found in this part of the sector by ignoring the institutional context. Secondly, the paper will examine efforts by the hotel employees and restaurant employees (HERE) in the US to unionise the "hospitality" sector and to structure the labour market through institutional innovations.

2. Conceptions and misconceptions of services

It is now widely accepted that the burgeoning growth of the service sector, and the corresponding decline in manufacturing, is one of the most significant economic changes to industrialised nations in the last 30 years. However, despite the wide academic attention that has accompanied the growth of the service sector, there is surprisingly little consensus about what comprises the service sector or, indeed, how we might actually study it (Bryson and Daniels, 1998; Glasmeier and Howland, 1994). Although this paper will not explore the debate about the extent of growth in services or the blurred boundaries between the service and manufacturing sectors, [2] a basic question remains over how we treat a sector that is characterised by little internal cohesion. The service sector consists of a diverse set of occupations including lawyers, accountants, consultants, software designers, office cleaners, cashiers, and fast food workers—occupations that display vast differences in pay, status, stability, educational requirements, where and how work is performed, and often, who performs it. Statistically, this disparate group of occupations is lumped together simply as an accounting convenience. Traditionally, services are conceptualised as a residual category that results from the subtraction of agriculture, mining, construction, utilities, and manufacturing industries from the total economy. Ironically, however, the only thing many services have in common is their exclusion from the above categories.

However, despite this lack of cohesion, many scholars use the growth of the service sector to uncritically support claims about the ascendancy of the information society, knowledge economy, or new economy (Burton-Jones, 1999; Coyle, 1997, 2001; Leadbeater, 1999). For example, Burton-Jones (1999) argues that the structural shifts experienced by OECD countries are leading to a post-industrial, knowledge-based economy where value is embedded in intangible and symbolic knowledge-based resources. In the same vein, Coyle (1997) argues that services epitomise the modern economy because of their dematerialised and weightless qualities. Both authors highlight the growth of services to support their arguments regarding the decline of the manufacturing-based economy and the alleged extraordinary economic properties of the "new economy".

However, the "new economy" literature, while celebrating the phenomenal growth of the service sector, often downplays the issues surrounding the distribution of benefits and risks associated with the new economic structure. [3] As Beck (1992) argues, the increased flexibility in firm structure and labour markets results in increased insecurity for *all* workers—at the high paid and low paid ends of the spectrum. Jobs in the service sector are increasingly characterised by fragmentation and destandardisation. Carnoy et al. (1997) argue that this insecurity is itself unevenly spread throughout the labour market depending on a worker's position in the labour market. They examine different groups of temporary workers in Silicon Valley and find that while highly skilled and well-paid temporary workers enjoy the numerous assignments and breaks associated with destandardised work, lower-skilled and poorly-paid workers find the same factors stressful and difficult to negotiate. This shows that similar types of restructuring can be interpreted as beneficial flexibility for those in the top end of the service-oriented labour market, but simultaneously equated with increased insecurity and anxiety for those in lower-end service jobs (Allen and Henry, 1997).

Perhaps equally important as a consideration of the unequal allocation of risks in the service sector is an

[2] See Harrison (1994), Sayer (1997), Sayer and Walker (1992).

[3] See Carnoy (2000) and Reich (2000) for notable exceptions.